

Message Text

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ORIGIN EA-10

INFO OCT-01 ISO-00 AGR-05 CIAE-00 COME-00 EB-07 INR-07

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USDA:KSTEPHENS

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R 130025Z FEB 75

FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI

INFO AMEMBASSY BANGKOK

AMEMBASSY MANILA

AMEMBASSY SEOUL

C O N F I D E N T I A L STATE 032751

E.O. 11652:GDS

TAGS: ETRD, TW

SUBJECT: COTTON CONTRACT PROBLEM

REFERENCE: (A) TAIPEI 673

-- (B) TAIPEI 690

-- (C) STATE 28855

1. WE HAVE NOT YET RECEIVED FROM THE ROC EMBASSY DETAILS OF THE GROC PROPOSAL TO RESOLVE THE COTTON CONTRACT PROBLEM. IN ORDER TO AVOID FURTHER DELAY, WE REQUEST THAT THE EMBASSY INFORM THE GROC THAT EXTENSION OF CCC CREDIT IS CONTINGENT UPON RECEIPT OF A LETTER FROM MINISTER OF ECONOMIC AFFAIRS Y.S. SUN CONTAINING THE FOLLOWING ASSURANCES:

A. CCC CREDIT WILL BE USED EXCLUSIVELY TO FINANCE OUTSTANDING US COTTON CONTRACTS FOR THE 1974-75 CROP YEAR.

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THESE WILL INCLUDE CONTRACTS FOR COTTON PAST DUE SHIP-

MENT AS OF THE DATE CCC CREDIT IS EXTENDED AS WELL AS THOSE COMING DUE DURING THE REMAINDER OF THE CURRENT CROP YEAR.

B. THE ROC WILL ARRANGE PROVISION THROUGH LOCAL BANKS OR WILL ITSELF PROVIDE FINANCING FOR THE BALANCE OF THE ABOVE-DESCRIBED OUTSTANDING CONTRACTS NOT COVERED BY CCC CREDIT.

C. THE GROC WILL TAKE WHATEVER MEASURES ARE NECESSARY TO ENSURE PROMPT OPENING OF LETTERS OF CREDIT (L/C'S) FOR ALL OUTSTANDING US CONTRACTS FOR THE CURRENT CROP YEAR AND WILL GUARANTEE PAYMENT OF ALL L/C'S.

D. THE ROC WILL PROVIDE USDA, OFFICE OF THE ASSISTANT ADMINISTRATOR, COMMERCIAL EXPORT PROGRAMS, WITH A LIST OF SALES TO BE ALLOCATED TO THE CCC LINE OF CREDIT, INCLUDING THE NAMES OF TAIWAN MILLS RECEIVING ALLOCATIONS, THE AMOUNT OF EACH ALLOCATION, AND THE INDIVIDUAL SALES COMPRISING THE ALLOCATION. FOR EACH SALE, INFORMATION WILL INCLUDE THE VALUE, NUMBER OF BALES, AND THE NAME OF THE US SHIPPER.

2. FYI: EXISTING CCC CREDIT REGULATIONS REQUIRE THAT L/C'S BE ISSUED BY US OR CCC-APPROVED FOREIGN BANKS. IN ADDITION, TEN PERCENT OF EACH SALE REGISTERED UNDER GSM-4 MUST BE GUARANTEED BY A US BANK. THE ABOVE REQUESTED LETTER FROM THE MINISTER OF ECONOMIC AFFAIRS IS NOT REQUIRED UNDER CCC REGULATIONS BUT RATHER WILL SERVE AS AN UNDERSTANDING BETWEEN GOVERNMENTS. END FYI.

3. WHILE WE REALIZE THAT THE GROC MAY BE UNWILLING TO PROVIDE ALL OF THE ABOVE ASSURANCES, WE VIEW THEM AS NECESSARY TO MINIMIZE THE POSSIBILITY OF MILLS REFUSING TO UTILIZE THE CREDIT LINES MADE AVAILABLE AND TO ENSURE A RAPID SOLUTION OF THE CONTRACT PROBLEM. INGERSOLL

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